

Annual  
Report  
1979

AR26



file

STERLING TRUST CORPORATION



## Highlights

	1979	1978
Total Assets	<b>\$333,270,000</b>	\$289,813,000
Shareholders' Equity	<b>\$ 14,244,000</b>	\$ 12,874,000
Per Share	<b>12.46</b>	11.53
Net Earnings	<b>\$ 1,646,000</b>	\$ 1,677,000
Per Share	<b>1.52</b>	1.72
Guaranteed Trust Account	<b>\$314,868,000</b>	\$272,679,000
Mortgage Loans	<b>\$282,407,000</b>	\$247,115,000



## Report to Shareholders:

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The year 1979 saw a continuation of the economic turmoil of the previous year. Our optimistic expectations of declining interest rates during 1979 were not only unfulfilled, but dashed by an increase from a 10<sup>3</sup>/<sub>4</sub>% bank prime at the end of 1978 to a 15% bank prime at the end of 1979.

The effect of this increase in rates was to reduce the Corporation's net interest income by an amount in excess of \$892,000. The higher rates also had a depressing effect on the availability of good quality loans, and resulted in increased competition among lenders. The impact on Sterling Trust was to diminish somewhat our historical growth rate.

1979 concluded in an increase of gross

assets of \$43,457,000 or 15% and an increase in the mortgage portfolio of \$35,292,000 or 14.3%. The mortgage portfolio at year end represented 84.7% of total assets. This high proportion of assets invested in mortgages is indicative of the Corporation's continuing effort to match maturities of assets to liabilities rather than take short-term advantages of borrowing long and investing short.

The unusual occurrence of an anticipated recession, combined with high stock and commodity prices, enabled the Corporation to realize a significant amount of capital gains in 1979. Inflation psychology rather than fundamental economies appears to be dominating investment decisions at this time. We believe that ultimately the fundamentals will prevail.

As we look into 1980, we can foresee no significant reduction in current long-term mortgage rates, and in fact feel short-term interest rates may well rise further before beginning the long anticipated decline. Mortgage volumes will not likely return to previous levels until expectations of lower rates diminish, and accordingly we foresee continued pressure on our margins during 1980.

Your Corporation does not at present contemplate opening any further full-service branches, but consideration of the relocation to more favourable premises of several of our branches is under way. In addition, Sterling's increased activity in western Canada may justify a representative office in the near future.

The purchase of the control of Sterling Trust Corporation by Trust Général du

Canada represents a very positive development. Although there will be no effect on the nature of the Corporation's assets, the availability of capital and the potential for enhanced development in the trust area will significantly improve the growth rate of the Corporation. Additional opportunities to share development costs of management information and accounting systems will assist in maintaining the return to the shareholders.

The change of control will precipitate a number of changes on the Board of Directors. To those who have served as Directors for many years, giving generously of their time and guidance, I wish to extend my appreciation for their assistance and confidence. My job would have been a great deal more difficult and less fulfilling without their assistance.

I would also like to extend my appreciation to Sterling's employees. In the face of the difficult problems that beset our industry a dedicated and professional staff is of inestimable value.

F. Robert Hewett  
President



*“We do not consider anything that is not quality.  
But our definition of “quality” may be different from  
someone else’s.”*



New Residential Home

New residential single family dwellings, either individually or as part of a development, can be financed on a conventional 75% of value basis or to a higher ratio with mortgage insurance.



Existing residential properties, well located and maintained, can be regarded as prime lending security.



Old Residential Home

Older multiple residential properties often enjoy the benefit of a prime location. With the evidence of good management these properties afford good opportunities for contemporary mortgage financing.



High Park, Toronto



New development concepts for shopping centres that respond to the marketing trends of today are worthy of a good mortgage financing package. Just as shopping habits change, considerations for mortgage financing have to be in tune with these changes.



Village Square, Burlington

An industrial building owned by a strong national company can qualify for a high ratio of loan to value without necessarily requiring mortgage insurance.



Magna International, Vaughn Township



# Sterling Trust Corporation

## Consolidated Statement of Earnings

For the year ended December 31, 1979  
with comparative figures for 1978

Revenue:	1979	1978
Income from mortgages and other loans	<b>\$29,900,000</b>	\$25,184,000
Income from securities and fixed term deposits	<b>2,849,000</b>	2,523,000
Fees and commissions	<b>689,000</b>	805,000
Other operating revenue	<b>410,000</b>	509,000
Total revenue	<b><u>33,848,000</u></b>	<u>29,021,000</u>
Expenses:		
Interest on guaranteed account	<b>26,449,000</b>	21,324,000
Interest on loans and mortgages	<b>174,000</b>	230,000
Salaries and staff benefits	<b>3,195,000</b>	2,717,000
Premises, including depreciation and amortization of \$155,000 (1978 — \$137,000)	<b>824,000</b>	780,000
Other operating expenses	<b>2,091,000</b>	1,913,000
Total expenses	<b><u>32,733,000</u></b>	<u>26,964,000</u>
Operating income	<b>1,115,000</b>	2,057,000
Gain on sale of securities	<b>565,000</b>	120,000
Income before income taxes	<b><u>1,680,000</u></b>	<u>2,177,000</u>
Income taxes (note 8)	<b>34,000</b>	500,000
Net earnings for the year	<b><u>\$ 1,646,000</u></b>	<u>\$ 1,677,000</u>
Earnings per share (note 9)	<b><u>\$ 1.52</u></b>	<u>\$ 1.72</u>

See accompanying notes to consolidated financial statements.

# Sterling Trust Corporation

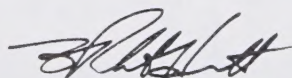
## Consolidated Balance Sheet

December 31, 1979  
with comparative figures for 1978

<b>Assets</b>	<b>1979</b>	<b>1978</b>
Cash and fixed term deposits (note 2)	\$ 20,163,000	\$ 15,850,000
Income taxes recoverable	534,000	—
Securities (note 3):		
Bonds	5,229,000	2,723,000
Stocks	15,722,000	14,355,000
Total securities	<u>20,951,000</u>	<u>17,078,000</u>
Loans:		
Mortgages (note 4)	282,407,000	247,115,000
Collateral	1,515,000	4,296,000
Consumer	3,280,000	1,622,000
Total loans	<u>287,202,000</u>	<u>253,033,000</u>
Office premises and equipment at cost, less accumulated depreciation \$551,000 (1978 — \$396,000)	4,064,000	3,177,000
Other assets	356,000	675,000
	<u><u>\$333,270,000</u></u>	<u><u>\$289,813,000</u></u>

*See accompanying notes to consolidated financial statements.*

We certify to the best of our knowledge and belief the foregoing consolidated balance sheet is correct and shows truly and clearly the financial condition of the Corporation's affairs.



F. R. Hewett  
President



W. L. Henderson, F.C.G.A.  
Vice-President, Finance



**Liabilities and Shareholders' Equity**

	1979	1978
Guaranteed account:		
Savings deposits	\$ 48,418,000	\$ 41,168,000
Term deposits	6,550,000	830,000
Guaranteed investment certificates	259,900,000	230,681,000
Total guaranteed account	<u>314,868,000</u>	<u>272,679,000</u>
Income taxes payable	—	47,000
Accounts payable	293,000	229,000
Dividends payable	219,000	204,000
Loans and mortgages payable (note 5)	1,501,000	2,016,000
Deferred income taxes	2,145,000	1,764,000
Shareholders' equity:		
Capital stock (note 6):		
Preference shares	2,000,000	2,000,000
Common shares	1,964,000	1,887,000
Contributed surplus	2,608,000	2,263,000
General reserve	5,600,000	5,100,000
Retained earnings	2,072,000	1,624,000
Total shareholders' equity	<u>14,244,000</u>	<u>12,874,000</u>
	<u>\$333,270,000</u>	<u>\$289,813,000</u>

**Auditors' Report to the Shareholders**

We have examined the consolidated balance sheet of Sterling Trust Corporation as at December 31, 1979 and the consolidated statements of earnings, contributed surplus, general reserve, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at December 31, 1979 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada  
February 11, 1980

PEAT, MARWICK, MITCHELL & CO.  
Chartered Accountants



**Sterling Trust Corporation**  
**Consolidated Statements of Contributed Surplus,**  
**General Reserve and Retained Earnings**

For the year ended December 31, 1979  
with comparative figures for 1978

	1979	1978
Contributed surplus:		
Balance at beginning of year	\$2,263,000	\$1,614,000
Proceeds in excess of par value of capital stock issued during year	<u>345,000</u>	<u>649,000</u>
Balance at end of year	<u><u>\$2,608,000</u></u>	<u><u>\$2,263,000</u></u>
General reserve:		
Balance at beginning of year	\$5,100,000	\$4,500,000
Add transfer from retained earnings	<u>500,000</u>	<u>600,000</u>
Balance at end of year	<u><u>\$5,600,000</u></u>	<u><u>\$5,100,000</u></u>
Retained earnings:		
Balance at beginning of year	\$1,624,000	\$1,161,000
Add net earnings for the year	<u>1,646,000</u>	<u>1,677,000</u>
	<u><u>3,270,000</u></u>	<u><u>2,838,000</u></u>
Deduct:		
Transfer to general reserve	500,000	600,000
Dividends	<u>698,000</u>	<u>614,000</u>
	<u><u>1,198,000</u></u>	<u><u>1,214,000</u></u>
Balance at end of year	<u><u>\$2,072,000</u></u>	<u><u>\$1,624,000</u></u>

See accompanying notes to consolidated financial statements.



# Sterling Trust Corporation

## Consolidated Statement of Changes in Financial Position

For the year ended December 31, 1979  
with comparative figures for 1978

	1979	1978
Funds provided by:		
Increases in:		
Savings deposits	\$ 7,250,000	\$ 7,899,000
Term deposits	5,720,000	—
Guaranteed investment certificates	29,219,000	39,172,000
Issuance of shares:		
Preference	—	1,000,000
Common	422,000	829,000
Decrease in securities	—	1,113,000
Operations:		
Net earnings for the year	1,646,000	1,677,000
Add non cash items:		
Depreciation and amortization	155,000	137,000
Deferred income taxes	381,000	142,000
	<u>2,182,000</u>	<u>1,956,000</u>
Other	398,000	—
	<u>45,191,000</u>	<u>51,969,000</u>
Funds applied to:		
Increases in investments:		
Securities	3,873,000	—
Loans	34,169,000	48,183,000
Additions to premises and equipment	1,042,000	384,000
Dividends	698,000	614,000
Decreases in:		
Income taxes payable	581,000	163,000
Loans and mortgages payable	515,000	512,000
Term deposits	—	188,000
Other	—	524,000
	<u>40,878,000</u>	<u>50,568,000</u>
Increase in cash and fixed term deposits	<u>\$ 4,313,000</u>	<u>\$ 1,401,000</u>

See accompanying notes to consolidated financial statements.



# Sterling Trust Corporation

## Notes to Consolidated Financial Statements

December 31, 1979

Sterling Trust Corporation is a federally incorporated trust company subject to the Trust Companies Act.

### 1. Summary of significant accounting policies:

#### (a) Basis of consolidation:

The financial statements include the accounts of a wholly-owned subsidiary company.

#### (b) Securities:

Securities issued by the Government and Provinces of Canada are stated at amortized cost.

Other securities are stated at cost. Gains and losses are recorded upon the sale of securities except where there is a decline in value which is other than temporary at which time an appropriate write down is made.

#### (c) Mortgage loans:

Mortgage loans are stated at amortized cost less a provision for losses.

#### (d) Office premises and equipment:

Office premises, equipment, furniture and fixtures and leasehold improvements are stated at cost less accumulated depreciation and amortization. Depreciation is provided on the straight-line method at the following annual rates:

Buildings	5%
Equipment	20%
Furniture and fixtures	10%

Leasehold improvements are being amortized on the straight-line basis over the existing lease term plus the first renewal option period.

#### (e) Revenue and expenses:

Investment income and interest expense are recorded on the accrual basis. Fees and commissions are generally recorded as earned except for certain fees from estates and trusts which are included in income only upon final approval, usually by the courts.

#### (f) Changes in account classification:

Comparative figures for 1978 have been reclassified to conform with the presentation adopted in 1979.

### 2. Cash and fixed term deposits:

Fixed term deposits with maturity terms in excess of one year amount to \$6,700,000 (1978 — \$8,945,000).



### 3. Securities:

Cost and market values, at December 31, 1979 are:

	1979		1978	
	Cost	Market (in thousands of dollars)	Cost	Market
Bonds — Government of Canada	\$ 1,906	\$ 1,897	\$ 861	\$ 852
Provinces of Canada	1,225	982	1,225	1,065
Municipalities	235	228	169	156
Other	1,863	1,778	468	408
	<u>5,229</u>	<u>4,885</u>	<u>2,723</u>	<u>2,481</u>
Stocks	15,722	15,127	14,355	14,674
	<u>\$20,951</u>	<u>\$20,012</u>	<u>\$17,078</u>	<u>\$17,155</u>

### 4. Mortgage loans:

The mortgage loans are shown net of the accumulated provision for mortgage loan losses amounting to \$461,000 (1978 — \$538,000).

### 5. Mortgages payable:

Mortgages payable amounting to \$1,501,000 are secured on office premises carried in the balance sheet at a depreciated cost of \$2,261,000.

### 6. Capital stock:

(a) Authorized, issued and fully paid:

	Number of shares		Amount (in thousands of dollars)	
	1979	1978	1979	1978
Cumulative redeemable preference shares, of \$20 par value each, issuable in series.				
Authorized	<u>500,000</u>	<u>500,000</u>	<u>\$10,000</u>	<u>\$10,000</u>
Issued and fully paid:				
Series A	50,000	50,000	\$ 1,000	\$ 1,000
Series B	50,000	50,000	1,000	1,000
	<u>100,000</u>	<u>100,000</u>	<u>\$ 2,000</u>	<u>\$ 2,000</u>
Common shares of \$2 par value each.				
Authorized	<u>2,000,000</u>	<u>2,000,000</u>	<u>\$ 4,000</u>	<u>\$ 4,000</u>
Issued and fully paid	<u>982,023</u>	<u>943,519</u>	<u>\$ 1,964</u>	<u>\$ 1,887</u>

### (b) Terms of issue:

Preference shares:

Each series of preference shares outstanding is subject to separate terms and conditions as follows:



(i) Dividend:

The dividend rate for each series is equal to the sum of one half of bank prime in effect from time to time plus:

- : for Series A — three per cent (3%) per annum
- : for Series B — two and one half per cent (2½%) per annum.

(ii) Redemption:

The Corporation has agreed to redeem these shares in the following amounts:

	Series A	Series B	Total
	(in thousands of dollars)		
1981	\$ 33	\$ —	\$ 33
1982	67	33	100
1983	100	67	167
1984-1987	800	900	1,700
	<u>\$1,000</u>	<u>\$1,000</u>	<u>\$2,000</u>

The Corporation has an option to redeem all or any portion of the shares outstanding from time to time which expires July 31, 1986 as to Series A and July 31, 1987 as to Series B.

(c) Changes in capitalization:

During 1979 the Corporation granted an option to an employee providing for the right to purchase 4,242 common shares at \$10.96 per share exercisable on or before October 6, 1979. This option and other options to employees for a total of 38,504 common shares were exercised during the year for cash of \$422,004.

At December 31, 1979 there are no options outstanding.

7. Contractual obligations:

The Corporation has contractual obligations in respect of operating leases aggregating \$579,000 of which the following amounts are payable in each of the next five years:

1980	\$240,000
1981	172,000
1982	87,000
1983	18,000
1984	18,000

8. Income taxes:

The reduced tax charge in relation to income before income taxes relates primarily to dividends received from taxable Canadian corporations which are deductible from income for tax purposes amounting to \$1,400,000 (1978 — \$1,000,000) and to the non-taxable portion of capital gains on sale of securities amounting to \$323,000 (1978 — nil).

9. Earnings per share:

Earnings per share are based on the weighted average of shares outstanding during the year and are after the dividend requirement of \$182,699 in 1979 on the preference shares Series A and Series B (1978 — \$131,557).

10. Directors and officers remuneration:

The aggregate direct remuneration paid or payable by the Corporation to directors and senior officers during the year was \$326,985 (1978 — \$288,519).





An innovative project that combines condominium apartments above retail stores makes sense, particularly when it is located in a neighbourhood with an established history of unique characteristics.

Queen Street East, Toronto

A condominium office building with good access to parking and city circulation is appealing to professionals such as accountants, engineers, lawyers, architects, etc. because it gives the owner some control over future accommodation costs.



Condominium Retail Complex, Calgary



A special purpose property with a strong franchised operation can receive good mortgage financing because of the particular strength of the covenant.



McDonald's, Downtown Toronto

A car dealership enjoying a prime commercial location with proven successful management can be satisfactorily financed with a commercial mortgage.



Elgin Motors, Toronto



*“In a lending environment that is now and will continue to be highly competitive, Sterling Trust believes it is necessary to be innovative and responsive in its mortgage lending practice in order to offer its customers the best financing possible. This means that in addition to continuing to make the usual types of mortgage loans, the corporation must be prepared to do various types of loans that are appropriate for today’s conditions.”*

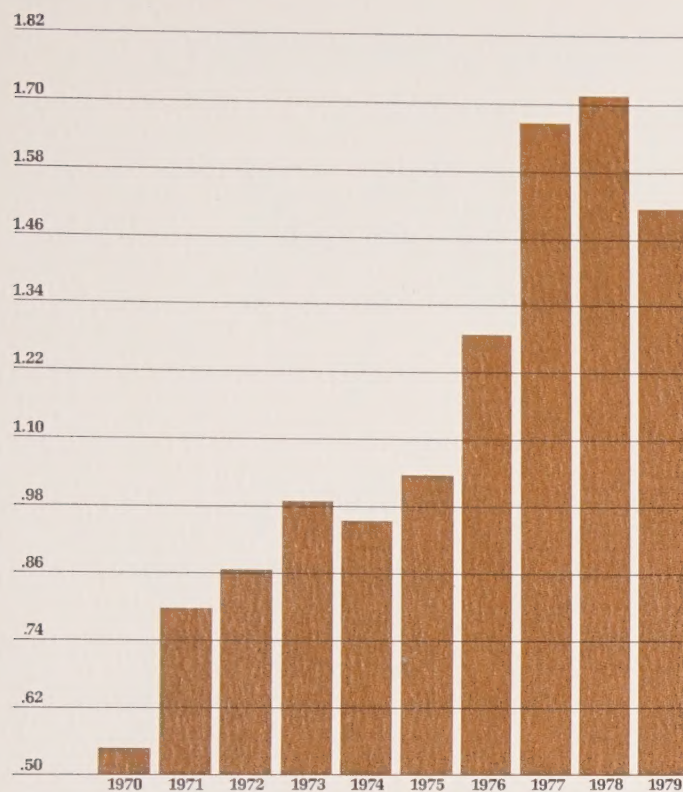


Sheraton Landmark, Vancouver

Financing an established downtown hotel, affiliated with an international chain, with a commercial first mortgage makes good sense. Good management is a requisite for such financing along with a demonstrated market strength that supports satisfactory occupancy levels.

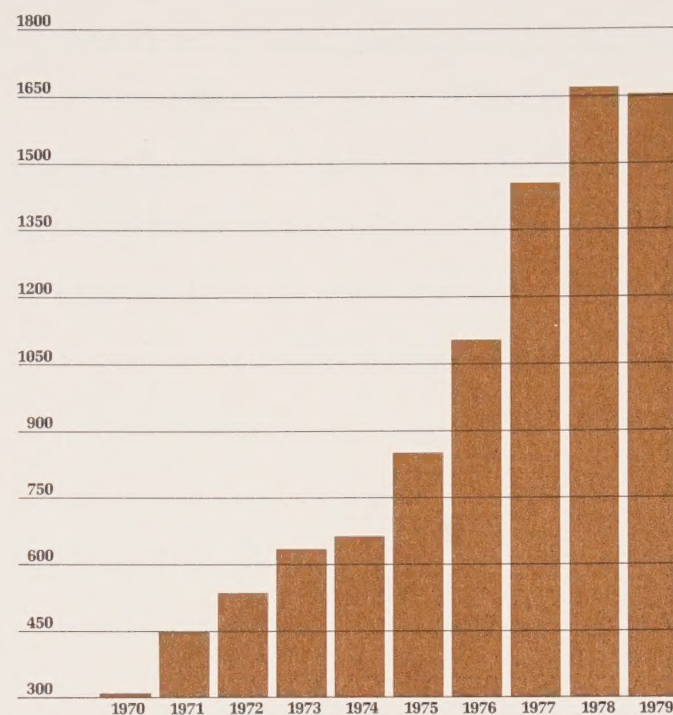


■ Earnings per share



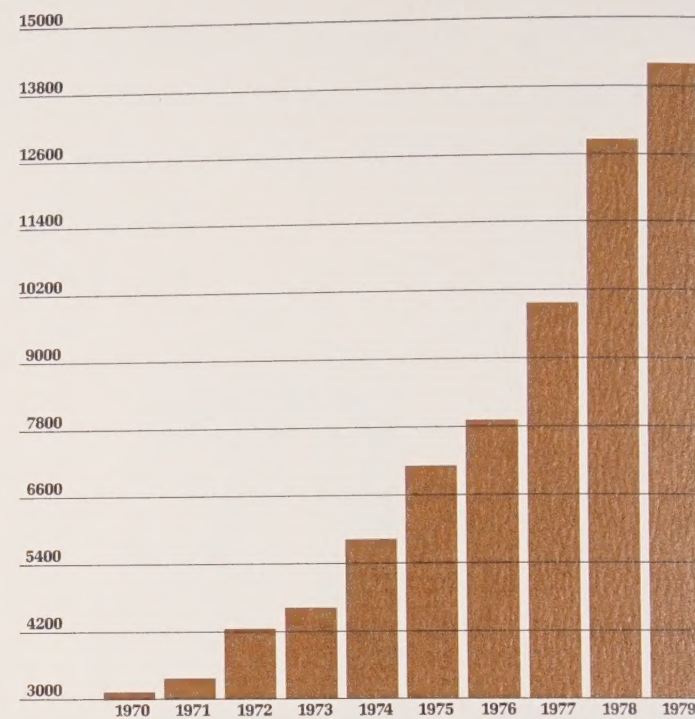
■ Net Profit After Taxes

Thousands  
1950

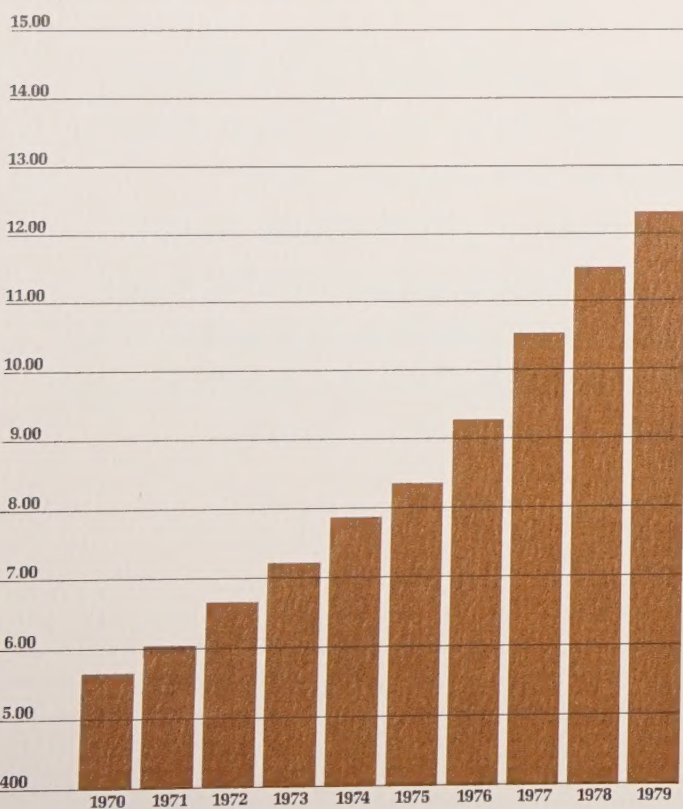


■ Capital and Reserves

Thousands  
16200



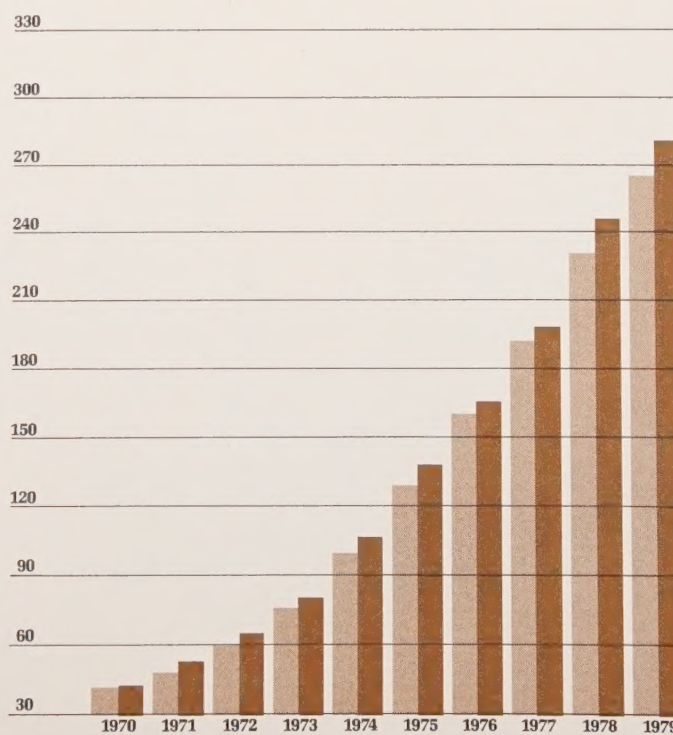
■ Equity per share December 31.



■ Guaranteed Investment Certificates

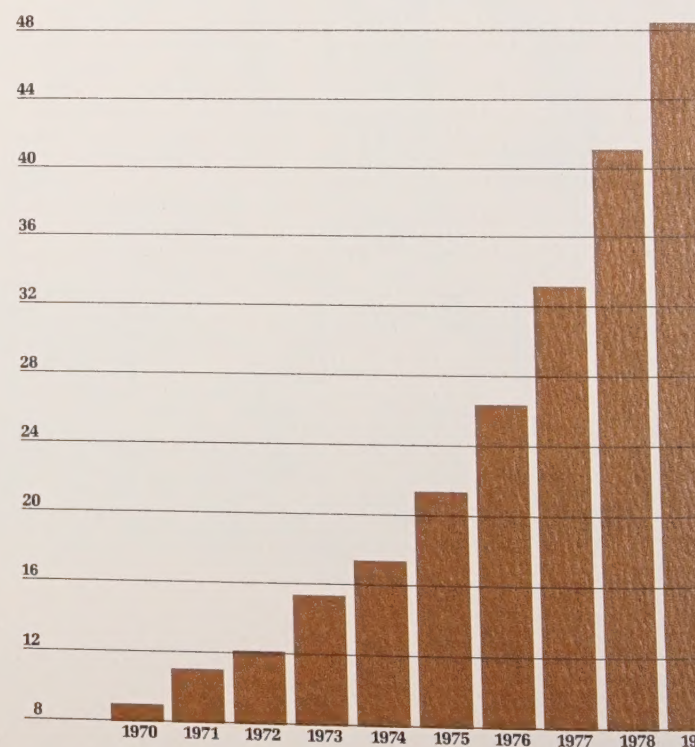
Millions  
360

■ Mortgages



■ Savings Deposits

Millions  
52





## Directors

S. Bruce Adams, F.C.A.  
Toronto, Ont.

Norman H. Bell  
Toronto, Ont.

Robert J. Birtles  
Toronto, Ont.

\*James W. Blaney, Q.C.  
Toronto, Ont.

Horace T. Burgess  
Toronto, Ont.

\*Peter O. Crassweller, M.D.,  
F.R.C.S. (C) F.A.C.S.  
Toronto, Ont.

Robert I. Hendy, Q.C.  
Toronto, Ont.

\*F. Robert Hewett  
Toronto, Ont.

H. Donald Langdon, Q.C.  
Toronto, Ont.

Charles F. Petersen  
Toronto, Ont.

\*Niels F. Petersen, C.T.C.I.  
Toronto, Ont.

\*T. Gordon Taylor, M.T.C.I.  
Toronto, Ont.

Arthur W. White  
Toronto, Ont.

\*J. Alex Wilson, B.A. Sc., P.Eng.  
Orillia, Ont.

\*Members of the Audit Committee

## Officers

Niels F. Petersen, C.T.C.I.  
Chairman of the Board

F. Robert Hewett  
President

W. L. Henderson, F.C.G.A.  
Vice-President, Finance  
& Treasurer

Jack McCreadie, A.A.C.I.,  
F.R.I., S.R.P.A.  
Vice-President, Mortgages

Charles F. Petersen  
Vice-President Operations

Horace T. Burgess  
Vice-President

H. Donald Langdon, Q.C.  
Vice-President

Dennis W. Jones, F.C.I.S., F.T.C.I.  
Director of Trust Services

James A. Shute  
Director of Branches & Personnel

Wayne W. Heath  
Director, Information Systems

Fred C. Beveridge, M.T.C.I.  
Secretary

## Auditors

Peat, Marwick, Mitchell & Co.

## Head Office

220 Bay St., Toronto  
M5J 2K8/364-7495

## Branches

1 Yonge St. S., Aurora  
L4G 1L8/727-1328

16 Dunlop St. E., Barrie  
L4M 1A3/726-6495

331 Bayfield St., Barrie  
L4M 3C2/726-7315

Bracebridge Shopping Centre  
Bracebridge  
P0B 1C0/645-5219

Lindsay Square Mall  
Lindsay, Ontario  
K9V 4Z1/324-7262

72-C Main St. N., Markham  
L3P 1X5/294-3207

309 King St., Midland  
L4R 4P4/526-3768

615 Davis Dr., Newmarket  
L3Y 2R2/898-2700

Orillia Square, Orillia  
L3V 6H4/325-2373

73 Mississauga St. E., Orillia  
L3V 6J3/325-2226

74 King Street W., Oshawa  
L1H 1A6/571-1732

1000 Second Ave. E., Owen Sound  
N4K 2H6/376-2740

214 Bay St., Toronto  
M5J 1P1/364-7495

347 Bay St., Toronto  
M5H 2R7/363-6341

1 Brock St. E., Uxbridge  
L0C 1K0/852-3383



